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INCOMING TELEGRAM *Department of State*

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DECLASSIFIED BY J.M. Razi DATE May 6, 1982

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Action AF
Info RMR SS G SP C W L INR H EUR UOP WMSC E IRC DCL ICA OCB CIA

Control: 15327
Rec'd: May 22, 1958
10:49 a.m.

FROM: Tripoli

TO: Secretary of State

NO: 939, May 22, 1 p.m.

SENT DEPARTMENT 939; REPEATED INFORMATION LONDON, BENGHAZI UNNUMBERED

JOINT EMBASSY USOM MESSAGE

Subject: FY 1958 GOL aid talks

Reference: EMBTEL 930

1. Pursuant agreement reported reference telegram refer details to working level, Gordon met Shaglouf and Minister Finance staff 19 and 20 for total over five hours.

2. At initial meeting Shaglouf stressed alleged GOL understanding which apparently primarily based assurance received during London talks that $2.5 million available without normal ICA procedures, proposed obtain full $5.5 million commitment by use these funds plus $3 million LARC special funds, replacing later with proceeds commodity program. When Gordon explained $2.5 million subject normal ICA procedures, Shaglouf stated impossible accept conditions, and meeting adjourned permit him consult Prime Minister.

3. Shaglouf opened second meeting with statement Prime Minister determined resign rather than present budget to Parliament with strings attached $5.5 million in contravention commitments made in speech to Parliament previous evening and proposed summon United States and United Kingdom Ambassadors make new appeal.

4. Negotiation deadlocked long period, but Gordon eventually able convince Shaglouf US control over special account no real obstacle, and agreement re details followed, key to solution was split in GOL budget between ordinary expenditures and development, latter including LARC and LPDSA for which special

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special account acceptable.

5. $2.5 million will be obligated by (a) increase POL financing by $1 million and (b) 4.5 million by PROAG on development projects, mainly those expected to be financed by FY 59 special funds, bringing total new obligations project assistance to $11.05 million.

6. FY 59 special funds split $1.2 million to LARC, $2.8 million devoted GOL ordinary budget.

7. Commodity proceeds split $1.2 million LARC, $2.8 million LPDSA, but with understanding no funds to be deposited stabilization account and clear indication both Prime Minister and Shaglouf GOL thinking along lines establish single Libyan development agency and desire initiate discussions this subject soon.

8. Believe above workable formula both US and GOL. All US dollar aid devoted either projects or commodity financing, all L/C proceeds support identifiable development undertakings. Assurances LPDSA while not definitive are maximum feasible this time.

9. PPAs covering $1.5 million to be submitted as follows in addition amounts previously programmed: Telecommunications 700,000; roads 300,000; Libyan University 364,000; domestic water 136,000. Amended PPA for additional $1.0 million POL wilmnolw*. Request you initiate program approval and allot funds.

JONES

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*Possibly "will hold". Will be verified upon request.

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